

the next ten years. A large portion of this is due to a 35% decline in long-distance toll rates over the first five years of deregulation. Specifically, immediate competition would:

Save consumers nearly \$550 billion over the next ten years from lower telecommunications rates, including: \$333 billion in consumer savings from lower long distance rates; \$107 billion in consumer savings from lower cellular rates; \$78 billion in consumer savings from lower cable TV rates; \$32 billion in consumer savings from lower local rates.

II. Delayed competition means fewer jobs, slower economy, higher rates

In addition to the immediate competition model, the study forecasts the economic effect of two other models, assuming that it takes three and five years, respectively, to achieve full competition—including removal of entry barriers, change from rate-of-return regulation to price-cap regulation from rate-of-return regulation for noncompetitive services, and deregulation of competitive services.

A three-year delay in full competition would result in the creation of 1.5 million fewer jobs than would immediate deregulation over the next five years. A five-year delay would mean 1.9 million fewer jobs over the next five years.

A three-year delay in deregulation would result in \$137 billion less in real GDP, and a five year delay would mean \$171 billion less in real GDP over the next ten years.

III. The long-distance market is currently not competitive

Contrary to industry arguments, there is no real competition in the long distance industry today. The long distance companies have not lowered their rates, despite steep declines in local access charges, the most significant cost of providing service. In fact, the big three long distance companies have raised rates in an oligopolistic fashion six times in the past three years (see chart 1). In a truly competitive industry prices do not go up when costs go down.

This lack of real competition in the long distance industry may be the biggest barrier to entry facing competitors in the local market.

(1) State regulators fear that opening local and short-haul long distance would result in drastic losses in the access charge subsidies that help pay for universal service in residential and rural areas.

(2) Full and immediate competition, which includes lifting the long-distance restriction, would mitigate the losses of these access charges. As a result of full competition, local rates would decrease 1% per year over the next ten years.

IV. Regulatory reform is necessary

The study concludes that telecommunications companies must be free of pricing regulations that discourage investment in new network services if the full benefits of competition are to be realized. Specifically, the study finds:

Rate-of-return regulation, designed to constrain earnings under the "natural monopolies" of the past, only slows the rate of network investment and the introduction of new technologies in today's environment of competition and technological convergence.

Price regulation allows incumbent carriers to re-price existing services and to introduce new services in response to competition, while still holding prices below that which might occur in the absence of regulation. In competitive markets, competition and not artificial regulatory distinctions should determine pricing.

V. Delayed competition inhibits new services, creates "economic welfare loss"

A significant benefit of the Immediate Regulatory Relief model is that lower rates, better service and increased investment all would accelerate the affordable delivery of advanced services like health care, education, telecommuting and more.

On the other hand, the study finds that delaying competition in communications will also delay the deployment of new, advanced services. Each delay in the deployment of these new services, results in a significant cost to American's economy and society as a whole—a cost quantified as "economic welfare loss."

The economic welfare loss of new services delayed as a result of current barriers to competition amounts to more than \$110 billion per year of delay. This economic welfare loss includes, among other items: \$40 billion per year in residential medical and education services; \$20.4 billion per year in residential advanced information services; \$28.8 billion per year in residential and business video conferencing; \$10.3 billion per year in expanded residential entertainment programming.

Full competition in communications markets would result in a gain of between \$750 and \$1,000 in consumer welfare per year, per U.S. household, as a result of new services deployed.

Methodology

Through years of research, The WEFA Group has developed a set of forecasting models that provide the framework for developing consistent and accurate views of the impact of various market and policy developments on specific industries and the U.S. economy. In July 1993, the WEFA Group completed a study titled *The Economic Impact of Eliminating the Line-of-Business Restrictions on the Bell Companies*. That study showed that full competition would result in millions of new jobs, significant benefits for the American economy, accelerated innovation and infrastructure investment lower telecommunications rates and encourage the development of enhanced information services. The result would be substantial consumer savings and the creation of millions of new jobs.

This study uses an updated methodology to examine the costs already incurred by delaying regulatory reform and evaluate the costs of further delays in deregulation.

It takes a well-defined set of assumptions and adjustments gained from research and analysis of the telecommunications industry and imposes them on the WEFA models. It forecasts the effects not only on the telecommunications industry but on the industries that buy from and supply to the telecommunications industry, and reviews how the supply and demand on both sides impacts industry prices.

Each study model assumes the eventual onset of full competition, including: (1) the removal of Federal and state regulatory barriers to competition; (2) the replacement of "cost plus" rate-of-return regulation with a streamlined form of price regulation for non-competitive services; and (3) complete deregulation of competitive service offerings.

The models differ in two significant respects: one, the timing of full competition; and, two, the sequencing—while the Immediate Regulatory Relief scenario represents simultaneous entry into all markets, the three and five year delay scenarios open the local market to competition before the long-distance market.

THE PRESSLER AMENDMENT

HON. LEE H. HAMILTON

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 15, 1995

Mr. HAMILTON. Mr. Speaker, next month Pakistani Prime Minister Benazir Bhutto comes to Washington and will be conferring with Members in several meetings on the Hill.

Bilateral relations between the United States and Pakistan since 1990 have been dominated by the Pressler amendment, which stipulates that no United States assistance shall be furnished to Pakistan, and no military equipment or technology shall be sold or transferred to Pakistan, until the President on an annual basis certifies that Pakistan does not possess a nuclear explosive device.

In an effort to inform Members prior to Prime Minister Bhutto's visit to the Hill about this legislation and its impact on United States-Pakistani relations, I ask permission to include in the *Record* testimony I submitted a few days ago to the Senate Committee on Foreign Relations.

THE PRESSLER AMENDMENT STATEMENT BY REPRESENTATIVE LEE H. HAMILTON, SUBMITTED TO THE SUBCOMMITTEE ON NEAR EASTERN AND SOUTH ASIAN AFFAIRS, SENATE COMMITTEE ON FOREIGN RELATIONS

First of all, Mr. Chairman, I wish to congratulate you for calling this hearing on a most timely subject. Four weeks from today, Pakistani Prime Minister Benazir Bhutto will be visiting Capitol Hill. Holding this hearing today on what has become the defining element in the bilateral U.S.-Pakistani relationship serves an important purpose by forcing us to examine the current status of, and prospects for, that relationship.

Let me add that I deeply appreciate the courtesy you have afforded me by inviting me to submit testimony as part of the official record of this hearing.

I also wish to take a moment to pay tribute to the two American diplomats who were killed yesterday in Karachi. The tragic deaths of Mr. Durell and Ms. Vanlandingham, as well as the wounding of Mr. McCloy, should serve to remind us that courageous American men and women place their lives on the line daily on behalf of the United States. I am sure that you join me in saluting their dedication and sacrifice, and calling upon the Pakistani government to spare no effort to bring their killers to justice.

Mr. Chairman, you have called this hearing to discuss our nonproliferation policies in South Asia. There are few issues of greater importance to U.S. security. The previous director of the Central Intelligence Agency identified the Indian Subcontinent as the most likely place in the world for the outbreak of a nuclear conflict—a catastrophe that would affect the United States as well as more than one billion people in South Asia.

Moreover, a failure to stop the spread of nuclear weapons in South Asia will also limit our ability to keep such weapons out of the hands of Iran, Iraq, North Korea, and other would-be nuclear powers. A world with fifteen or twenty nuclear weapons states is a world we don't wish to contemplate. So the importance of your hearing today—coming as it does only weeks before the international community is to convene in New York to determine the fate of the Nuclear Nonproliferation Treaty—cannot be overestimated.

Mr. Chairman, my argument today can be summarized in a few brief propositions: Pakistan is a country the United States cannot and should not ignore. The Pressler amendment has undermined our bilateral relations with Pakistan. As a nonproliferation tool, the Pressler amendment has outlived its usefulness, and is now counterproductive. It is time to modify this amendment, or even to lift it altogether.

Allow me to amplify each of these propositions in turn.

I. PAKISTAN IS A COUNTRY THE UNITED STATES CANNOT AND SHOULD NOT IGNORE

U.S. National Interests: Why is it in the national interest of the United States to maintain decent relations with Pakistan?

There is, first of all, the matter of sheer numbers. Pakistan is the 7th largest nation in the world. It is the world's second largest Moslem nation. Size alone compels the United States to pay attention to Pakistan.

Second, considerations of global and regional security make cooperation with Islamabad important for the United States. Pakistan occupies a strategic location on the map. It is situated near major countries—China, Russia, Iran, India—and neighbors the Middle East, the Persian Gulf, and central Asia. Its army is the world's eighth largest. Even in a post-cold war world, the United States should not ignore these geopolitical and geostrategic considerations.

In addition, the United States has an important interest in working to prevent the outbreak of a South Asian war that could spiral into a nuclear conflict. We can best promote regional peace and stability if we have good relations with Pakistan as well as India.

Third, Pakistan has been an active supporter of United Nations peacekeeping activities. Its 7,000 troops in Somalia comprised the largest international component in that difficult operation. Islamabad contributed more than one thousand troops to the U.N. operation in Cambodia. It currently has 3,000 soldiers in Bosnia. In fact, Pakistan has provided more troops for U.N. peacekeeping efforts around the world than any other country—including our own.

Fourth, this and previous administrations have identified missile and nuclear nonproliferation as a primary component of U.S. security. As one of the world's few nuclear weapons-capable states not a party to the Nuclear Nonproliferation Treaty [NPT], Pakistan is crucial to the success of our global nonproliferation efforts. Similarly, it is in our national interest to prevent the deployment of the ballistic missiles both India and Pakistan are developing.

The fifth reason we should not ignore Pakistan relates to our desire to combat international terrorism and drug trafficking. Yesterday's tragic events in Karachi have once more brought home to us the grave threat posed by terrorism. The value of Pakistani cooperation in the fight against terrorism was vividly demonstrated last month when Prime Minister Bhutto, in the face of certain domestic opposition, moved swiftly to extradite to the United States the individual alleged to be the mastermind behind the 1993 bombing of the World Trade Center.

On the narcotics front, Pakistan is a conduit for opium and heroin grown in Afghanistan, the second largest opium producer in the world. If the deadly flow of Afghan drugs is to be stanchied, we must have Pakistani cooperation. And while we have not been fully satisfied with the steps Pakistan has taken in the counter-narcotics area in recent years, just last week President Clinton stated that the government of Pakistan has laid the foundation for significant progress during the current year in the fight against illicit drugs.

Sixth, the United States has a clear-cut interest in encouraging democracy, pluralism, secularism, and a respect for human rights in Pakistan. Pakistan can be a model of a democratic, secular Islamic state, a partner in the effort to combat the spread of religious and ideological extremism. The administration believes that Pakistan has used its moderating influence with other Islamic countries. We should seek to buttress that influence.

Finally, economic and trade considerations call for friendly relations with Pakistan. Admittedly these U.S. interests are not as important in a statistical sense as in some other countries. Nonetheless, we have an interest in promoting continued economic reform, deregulation, and trade liberalization in Pakistan.

U.S.-Pakistani differences: Let me hasten to add, Mr. Chairman, that none of this suggests that we see eye to eye with Pakistan on all important issues. We don't. We would like to see Islamabad join the NPT, but it refuses to do so. We wish Pakistan would cease all military support for the Kashmiri insurgents. We want more vigorous law enforcement against the druglords. We are concerned about the uneven respect given human rights in Pakistan. We are sometimes dismayed by what passes for democratic politics in Pakistan.

But most fundamentally, we believe that Pakistan, by choosing to embark upon a nuclear weapons program, has broken its pledge to us in a way that directly challenges U.S. national interests.

The substantial levels of U.S. assistance provided to Pakistan throughout the 1980s were part of an explicit bargain: we would furnish Pakistan with financial and military aid, in return for which Islamabad would forgo the nuclear weapons option. Pakistan violated that bargain. The subsequent deterioration in our bilateral relations flows directly from that action. Until Pakistan redresses that breach of faith, ties between our two countries will never recapture the warmth and sense of common purpose they possessed a decade ago.

In the sense, it is neither prudent nor possible to "let bygones be bygones." But at the same time, insofar as it advances American purposes, we should try to build on the shared interests I have set forth above in order to promote U.S. foreign policy and national security objectives.

II. THE PRESSLER AMENDMENT HAS UNDERMINED OUR BILATERAL RELATIONS WITH PAKISTAN

After a close and productive relationship throughout the 1980s, bilateral ties between Washington and Islamabad plummeted after President Bush proved unable in 1990 to certify, under the Pressler amendment, that Pakistan does not possess a nuclear explosive device.

In the four-and-a-half years since then, the Pressler amendment has been by far the most important element shaping the bilateral relationship. By banning aid and most military sales and transfers, the amendment has sharply limited the possibility of a U.S.-Pakistani collaborative relationship.

In some respects, it is surprising that U.S.-Pakistani relations have remained as good as they have since 1990. Islamabad continues to attach great importance to its relationship with Washington. There exists in Pakistan, especially at the official level, a deep reservoir of good will toward the United States.

Nonetheless, there is no denying that the Pressler amendment has had a corrosive impact on bilateral ties. Moreover, so long as Pressler remains the law of the land, relations are unlikely to improve. Secretary Perry's trip to Pakistan in January, for all

the warm sentiments it evoked, did not break the fundamental impasse between Washington and Islamabad.

The F-16 Problem: During Prime Minister Bhutto's visit to Washington next month, the single most important item on her agenda will be the F-16s Pakistan bought, but which have not been directed because of Pressler amendment restrictions. If Ms. Bhutto fails to persuade the United States to release the F-16s, she will at a minimum ask for the return of the \$658 million Pakistan has paid for these warplanes.

I am worried about the creation of excessive expectations for the prime minister's visit. Pakistan is unlikely to get the F-16s. More than that, serious problems stand in the way of returning the full \$658 million. This money has already been paid to the manufacturer. The U.S. government does not have the ability to give the money back, even if it were so inclined.

We face the distinct possibility, therefore, that someone who has been a good friend to the United States, the head of government of an important country with longstanding ties to the United States, is about to come to Washington for what many of her countrymen may see as a diplomatic fiasco.

And all this, ironically, because of legislation that, when adopted in 1985, was designed as a Pakistan-friendly amendment. The members of this subcommittee will recall that when Sen. Pressler first offered his amendment, he envisioned it as a means of heading off far more punitive legislation.

III. THE PRESSLER AMENDMENT HAS OUTLIVED ITS USEFULNESS

Speaking to a New York audience recently, Secretary Perry called the Pressler amendment "a blunt instrument" that has undercut our influence in Pakistan and hindered our efforts to avert a nuclear arms race in South Asia.

I concur. It has reduced our voice in a large, militarily-significant, moderate Islamic country. It has led to an increase in Chinese, and possibly Iranian, influence in Pakistan. It has hampered our ability to achieve other important U.S. objectives in the region, such as strengthening democracy and human rights, fighting illicit narcotics, and promoting economic development.

Even in the area of nonproliferation, the Pressler amendment has become counterproductive. It has given India no incentive to engage in meaningful negotiations on nonproliferation, since New Delhi prefers a status quo that punishes only Pakistan. It has, by reducing Pakistan's conventional strength, given arguments to those in Pakistan who wish to pursue the nuclear option more vigorously. It even threatens to drive Pakistan into an unholy nuclear partnership with Iran, Iraq, or other would-be proliferations—though to date, fortunately, there is no evidence that Pakistan has succumbed to this temptation.

Let me remind this subcommittee that the Pressler amendment was never intended to be triggered. Its proponents hoped that by drawing a clear line, they would give Pakistan an incentive to avoid crossing that line. Once those hopes were dashed and the amendment was invoked, it lost its usefulness. In the four-plus years since then, our once flourishing partnership with Pakistan has deteriorated, while nuclear tensions on the Subcontinent, and the possibility of a nuclear catastrophe, remain unabated.

IV. IT'S TIME TO MODIFY THE PRESSLER AMENDMENT

I suppose it is no surprise that my own preferences would be to repeal this legislation altogether. But, Mr. Chairman, I can

count votes, and I understand that this does not appear to be the position held by a majority of my colleagues.

As the next best thing, then, I think your Committee should ask the administration to take another look at what the Pressler amendment requires—to see if there are opportunities for useful modification.

This is not a radical suggestion. Indeed, both this and the previous administration have already begun to do this. So has the Congress. For instance:

In each of the past three years, the foreign operations bill has contained a provision allowing the U.S. government to spend monies for assistance programs in Pakistan operated by non-governmental organizations. Last year, for the first time, USAID provided nearly \$10 million for child survival and female literacy programs in Pakistan.

Under the terms of the Pressler amendment, Pakistan is not permitted to receive International Military Education and Training [IMET]. But in January, Secretary Perry agreed in principle that Islamabad could purchase professional military education [PME] courses, so long as the transfer of technology was not involved.

What I am proposing now is that the administration, in close consultation with the Congress, push this process forward. Certain desirable steps will require legislative action, but there are also steps the administration, after consultation with Congress, should take on its own. For instance:

(1) Pakistan should be made eligible for Overseas Private Investment Corporation [OPIC] insurance programs. OPIC is not an aid donating agency. Its purpose is to promote U.S. business interests in overseas markets. By withholding OPIC eligibility, we only penalize our own business community. OPIC, moreover, has the added virtue of being self-financing.

(2) The Administration should waive the storage fees charged to Pakistan for holding its F-16s—fees that amount to \$50,000 per plane per year. We are refusing to release the airplanes, as the Pressler amendment requires, and then we insist that Pakistan pay us for holding them. This doesn't pass the common sense test.

(3) The Administration should move forward with Secretary Perry's suggestion that Pakistan be allowed to purchase PME courses. In this way, we will strengthen military-to-military ties, at a time when the Pakistani military, which for much of the country's history had been a threat to democracy, may now be the ultimate guarantor of Pakistani democracy. (The army's role during the year-long political crisis of 1993, for instance, has been viewed by many observers as positive.)

(4) We should provide visa enforcement training for Pakistani customs employees. Here again, this is a common sense move.

Slowing down illegal immigration to the United States is in our interest.

(5) We should be offering flight safety training to Pakistani air controllers. Since this would be of direct value to U.S. travelers, it is difficult to see why anyone should object.

(6) I would like to see the provisions contained in recent foreign operations bills maintained or even expanded, in order to permit limited economic assistance for social programs—population planning, for instance, or primary education, or rural clinics. While any assistance made available in this fashion would be modest in amount, it would send the message that the United States has not turned its back on a friend.

(7) Finally, I believe that fairness and good policy require that we return some of the military items that the Pakistani military sent here for repair or other work prior to the invocation of the Pressler amendment, and which we have kept because of the Pressler legislation.

Conclusion: None of these steps in and of themselves will turn the U.S.-Pakistani relationship around. But they would have a symbolic importance out of all proportion to their actual significance. They would say to the Pakistanis that we still value their friendship, that we care about this relationship. And they would help contribute to the success of Prime Minister Bhutto's visit.

I would urge the Administration to consult closely with the Congress before taking any of these steps. I am pleased to note that considerable consultation already has taken place. I would now encourage the Executive to come forward with specific recommendations, and I would encourage my colleagues in the Legislative branch to give such recommendations serious consideration.

From the standpoint of advancing U.S. policy objectives in South Asia, as well as promoting our global nonproliferation goals, we should accept the fact that the Pressler amendment, however well intended, has outlived its usefulness. The administration and the Congress should acknowledge this reality, and move to place our South Asia policy on a sounder footing.

The first step should be to lift some of the restrictions imposed by the Pressler amendment. I urge the members of this distinguished subcommittee to take the lead in this enterprise.

BLACK PRESS WEEK

HON. BARBARA B. KENNELLY

OF CONNECTICUT

IN THE HOUSE OF REPRESENTATIVES

Wednesday, March 15, 1995

Mrs. KENNELLY. Mr. Speaker, I rise to recognize the invaluable contributions of the African-American press. From the founding of the *Freedom's Journal*, to the pioneering work of *Ebony* founder John Johnson, to the contributions of the National Newspaper Publishers Association [NNPA], the African-American press has been in the forefront of news coverage and a force for social change. It is fitting that we honor these and other leaders during National Black Press Week.

This year, *Ebony* magazine is celebrating its 50th anniversary. Its founder and publisher, Mr. John Johnson, was recently awarded the prestigious Communication Award from the Center for Communication for this pioneering efforts on behalf of African-Americans. His work and values are embodied in *Ebony*, a premier American magazine known for its excellence.

Mr. Johnson's work has helped pave the way for many African Americans in journalism. Within my own congressional district, there are newspapermen of great distinction: Mr. William Hales, editor and publisher of the *Hartford Inquirer*; Mr. Edgar Johnson, editor of the *West Indian American*; and Mr. John Allen, editor-in-chief of the *North End Agent*. Each one has distinguished himself and his paper by informing the community about relevant issues and pressing for social change. They have increased public awareness on issues of importance to the African-American and West Indian-American community.

My district is richer for the contributions of these men and their papers. Today, their work is made possible in part by the legacy of the Nation's first African-American newspaper, the *Freedom's Journal*. Mr. John Brown Russwurm and Mr. Samuel E. Cornish founded this paper to honor the ideals of the rights and liberties guaranteed in the Constitution, and out of their appreciation for the rich diversity of African-American culture. Their first steps helped pave the way for the many men and women who followed in their footsteps. And they enriched the lives of all of us.

Mr. Speaker, I would like to congratulate the NNPA on its 168th anniversary and also to thank all the journalists who carry on the traditions that make Black Press Week a distinguished celebration.